Investment Choices for the New Defense Strategy

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Strategically Driven Choices

We developed a defense strategy that transitions our defense enterprise from an emphasis on today's wars to preparing for future challenges, protects the broad range of U.S. national security interests, advances the Department's efforts to rebalance and reform, and supports the national security imperative of deficit reduction through a lower level of defense

Major Tenets of the Defense Strategic Guidance

- Rebalance toward the Asia-Pacific and Middle East Regions while sustaining key alliances and partnerships in other regions
- Plan and size forces to be able to defeat a major adversary in one theater while denying aggression elsewhere or imposing unacceptable costs
- Protect key investments in the technologically advanced capabilities most needed for the future, including anti-access threats
- No longer size forces to conduct large and protracted stability operations while retaining the expertise of a decade of war
- To the extent possible, structure major adjustments in a way that best allows for their reversal or for regeneration of capabilities in the future if

Strategically Driven Choices: Confronting Aggression

- Strategy takes a fresh approach to the traditional “two war” sizing construct
- Places premium on self- and rapidly-deployable forces capable of projecting power and performing multiple types of missions
  - Reinforcing need to maintain capabilities such as: current aircraft carrier force, large-deck amphibs, bombers
- Allows reductions in mobility forces
- Maintains a safe, secure, and effective nuclear deterrent – protects all 3 legs of the Triad

Strategically Driven Choices:
Protect New Capabilities and Investments

OSD

- Smaller, future force will be more agile, better trained, and more technologically advanced
- Increased or protected funding for programs critical to the strategy across the following mission areas:
  - Counter-terrorism (SOF, ISR)
  - Cyber operations
  - Power projection
  - Missile defense
  - Space systems
  - Counter weapons of mass destruction
  - Science and technology
- In order to sustain the highest priority investments, we made substantial reductions to several programs

Strategically Driven Choices:
Protecting the All Volunteer Force

- The All Volunteer Force is the foundation of our military and vital to our security but is very costly
  - Military personnel cost has grown at an unsustainable rate since 2001
  - Grew about 40% above inflation including wartime costs
  - Number of full-time military personnel increased by 8%
- Current strategy protected funding for wounded warriors, families, and transitioning veterans
- Reduced compensation and benefits rate of growth – 1/3 of the budget, but only 1/9 of reductions

PB13 Reductions Resulting from Budget Control Act

Total topline reductions for FY 13-17: $259B

- Force Structure/Investment: $129B
  - Reduced Army and Marine Corps end strength
  - Divested seven TACAIR squadrons
  - Protected carriers and B-52s
- “More Disciplined Use of Defense Dollars”: $61B
  - Slowed civilian employee pay raises
  - Reduced overhead in OSD and Defense Agencies
  - Consolidated IT infrastructure and data centers
- Compensation: $29B
  - Increased TRICARE co-pays for retirees
  - Increased pharmacy co-pays
- Other Reductions: $40B
  - O&M reductions
  - Economic adjustments

Acquisition Programs in the Last Cycle

Terminations

- Defense Weather Satellite System
  - Early to need
  - Over budget
  - Aggressive requirements
- C-27J
  - High operating costs
  - Alternative available (C-130)
  - Few aircraft (154 → 78 → 38)
- Global Hawk Block 30
  - High operating cost
  - Alternative available (U-2)
  - Near-term costs
- Medium Range Maritime Unmanned Aerial System
  - Requirements uncertain
  - Alternative available (Firescout)

Acquisition Programs in the Last Cycle

Restructures

- JSF
  - Testing/production concurrency
  - Alternatives available (F/A-18, F-16 SLEP)
  - Near-term costs
- Ground Combat Vehicle
  - Contract delay due to protest
  - Requirements uncertain
- Commercial Imagery
  - Excessive requirements
  - High near-term costs
  - Alternatives available (National systems)

Acquisition Programs in the Last Cycle

Protected Programs

- New bomber
  - Strong Service support
  - Fits new strategy
  - High cost (but even higher costs later)
- Shipbuilding
  - Strong Service/external support
  - Fits new strategy
  - High costs
  - Requirements vary
- Satellites
  - Fund to independent cost estimate
  - No current alternatives
  - Fit new strategy

What to Look for

Traditional acquisition concerns

- Hit the milestones
- Avoid Nunn-McCurdy breaches
- Do not underexecute

Harder to control

- Set realistic requirements
- Develop accurate cost estimates
- Rely on achievable technology

Emerging worries

- Controlling operating costs
- High near-term costs

CAPE: We Ask “Why?”